

# **CAMBODIA<sup>1</sup>**

## **MINIMUM WAGE**

The apparel sector is the only industrial sector in Cambodia in which there is a legally-prescribed minimum wage. The monthly minimum wage in the apparel sector is 152,000 riels (CR) or 40 U.S. dollars (US\$) at the current exchange rate, although apprentices may be paid a minimum wage of CR114,000 (US\$30) a month for a maximum period of two months. The minimum wage was established on January 17, 1997—prior to the promulgation of Cambodia’s 1997 Labor Law—by agreement between the Ministry of Social Affairs, Labor, and Veterans Affairs (now known as the Ministry of Social Affairs, Labor, Vocational Training, and Youth Rehabilitation— MOSALVTYR) and the Garment Manufacturers Association in Cambodia. It was later issued as a subdecree by the MOSALVTYR.

Articles 104-112 of Cambodia’s Labor Law set out a process for establishing a guaranteed minimum wage that “must ensure every worker a decent standard of living compatible with human dignity.” According to Article 107, the guaranteed minimum wage is to be set by a MOSALVTYR subdecree after consultation with the Labor Advisory Committee, and may be “adjusted from time to time in accordance with the evolution of economic conditions and the cost of living.” The Labor Advisory Committee met for the first time on October 21, 1999, but the minimum wage-setting mechanism has not yet begun operation.<sup>2</sup>

The Labor Law provides for a standard legal workweek of 48 hours, not to exceed 8 hours per day. The law stipulates time-and-one-half overtime pay, and double overtime pay if overtime hours are worked at night or on the employee’s day off. Government enforcement of these standards is weak and workers frequently complain about being required to work more than 48 hours a week and, especially in the garment industry, being paid the overtime rate only for the salary component of their paychecks, leaving piece rates unchanged regardless of the number of hours worked.<sup>3</sup>

## **PREVAILING OR AVERAGE WAGE**

It is difficult to estimate with certainty the prevailing wage in the apparel industry. Based on visits to more than 30 garment factories, discussions with workers and trade unionists, and a de-brief with a U.S. Customs Textile Product Verification Team in March 1999, the American Embassy estimates that the bulk of Cambodian garment workers make at least CR152,000 (US\$40) a month.

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<sup>1</sup> Unless noted otherwise, information presented here is from American Embassy–Phnom Penh, unclassified telegram No. 1544 (July 2, 1999).

<sup>2</sup> U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (November 29, 1999).

<sup>3</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 836.

A significant number of workers (perhaps 25 percent) work more quickly or operate larger machines and earn a higher monthly wage, generally in the CR190,000-266,000 (US\$50-70) range. A smaller percentage of workers make less than the legal CR152,000 (US\$40) minimum per month, generally because of employer payroll deductions for substandard attendance or poor production.

No data were available for Cambodia from the International Labor Organization (ILO) on average wages or hours worked in the manufacturing sector or in the apparel or footwear industries.

## **NON-WAGE BENEFITS**

The Labor Law contains provisions mandating holiday and overtime pay, but there are no government-mandated non-wage benefits in the apparel and footwear industry.

## **ASSESSING BASIC NEEDS: THE POVERTY LINE**

The World Bank reports<sup>4</sup> that, in 1997, 40.1 percent of the rural Cambodian population and 21.1 percent of the urban Cambodian population were below the country-specific poverty line, with a national poverty rate of 36.1 percent; in 1993/94, 43.1 percent of the rural population and 24.8 percent of the urban population were below the country-specific poverty line, with a national poverty rate of 39.0 percent. The American Embassy notes that these poverty figures probably come from a January 1999 report prepared by the UN system in Cambodia, based on data from the *Cambodia Socio-Economic Survey, 1997*. The UN report adds that the poverty line is defined as expenditure required to purchase a food basket which provides 2,100 calories per day and allow for a non-food expenditure. This expenditure is calculated at CR1,819 (US\$0.66) per day in Phnom Penh, CR1,407 (US\$0.51) in other urban areas, and CR1,210 (US\$0.44) in rural areas, where US\$ amounts are calculated at the June 1997 exchange rate of US\$1 equals CR2,760. Since June 1997, the riel has subsequently devalued to 3,800 per US\$, so the riel figures listed above should be adjusted upwards accordingly.

## **MEETING WORKERS' NEEDS**

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Cambodia meet workers' basic needs. The U.S. Department of State reports that the monthly minimum wage in the apparel sector is not sufficient to provide a worker and a family with a decent standard of living.<sup>5</sup> According to the American Embassy, there have been no studies on the issue of the living wage in Cambodia, probably because of the relatively small size of Cambodia's formal wage

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<sup>4</sup> World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 66.

<sup>5</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 836.

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